

Message Text

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ORIGIN EUR-12

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SP-02 SS-15 AID-05 EB-07 TRSE-00 OMB-01 XMB-02
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USMISSION NATO

C O N F I D E N T I A L STATE 122245

E.O. 11652:GDS

TAGS:MASS, PFOR, TU

SUBJECT:TURKISH F-4 PROGRAM

FOLLOWING IS TEXT OF PAPER ON CONTINUATION OF TURKISH F-4
PROGRAM PROVIDED AMBASSADOR ESENBEL BY COUNSELOR NIMETZ MAY
26. BEGIN TEXT: OUTLINE OF PROPOSALS FOR CONTINUATION OF
THE TURKISH F-4 PROGRAM (PEACE DIAMOND II).

-- THE TURKISH F-4 PROGRAM IS NOW COVERED BY CONTRACT AND
FUNDED THROUGH JUNE 30, 1977.

-- NEW CONTRACTS MUST BE SIGNED PREFERABLY WELL BEFORE JUNE
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30 AND NO LATER THAN THAT DATE TO CONTINUE THE PROGRAM.

INTERIM COMMERCIAL ARRANGEMENT:

-- THE PERIOD JUNE 30 TO OCTOBER 31 CAN BE COVERED BY AN
INTERIM COMMERCIAL AGREEMENT BETWEEN THE TURKISH GOVERNMENT
AND MCDONNELL-DOUGLAS WHICH WOULD REQUIRE A TURKISH FINANC-

ED COMMERCIAL LETTER OF CREDIT TO COVER COSTS OF CONTINUING PRODUCTION UNTIL OCTOBER 31. THE EXACT COST INVOLVED IS NOT KNOWN AT THIS TIME, BUT WOULD RANGE FROM \$65 TO \$80 MILLION.

-- THE INTERIM COMMERCIAL ARRANGEMENT WOULD ALLOW TIME FOR THE TURKISH GOVERNMENT TO DECIDE WHICH OF SEVERAL ALTERNATIVES TO SELECT AND IMPLEMENT FOR CONTINUATION OF THE PROGRAM, FROM OCTOBER 31, 1977 TO SEPTEMBER 30, 1978. (AT LEAST 30 DAYS AFTER THE START OF THE NEW FISCAL YEAR WILL BE NEEDED FOR THE PRESIDENTIAL DETERMINATION AND THE CONGRESSIONAL 30-DAY REVIEW PERIOD.)

-- OPTION I. THE SIMPLEST APPROACH IS A COMMERCIAL CONTRACT BETWEEN THE TURKISH GOVERNMENT AND MCDONNELL-DOUGLAS AND THE OTHER CONTRACTORS FOR THE ENTIRE BALANCE OF THE PROGRAM. MANY OF THE DIFFICULTIES CITED BY TURKISH AUTHORITIES REGARDING THIS APPROACH COULD BE OVERCOME, IN OUR OPINION, BY MEANS OF LOW COST FMS CASES ENTERED INTO BY THE U.S. GOVERNMENT WITH THE TURKISH GOVERNMENT FOR ASSISTANCE IN NEGOTIATION OF THE COMMERCIAL CONTRACTS AND ADMINISTRATION OF THE CONTRACTS AS MUTUALLY AGREED. THE COMMERCIAL CONTRACTS CAN ALSO BE WRITTEN SO AS TO RESEMBLE VERY CLOSELY FMS CONTRACTS.

-- OPTION II. A COMBINATION OF COMMERCIAL AND FMS CONTRACTS IS POSSIBLE WITH A MAXIMUM PLACED UNDER FMS; I.E., AIRCRAFT, SUPPLY SUPPORT, WEAPON GUIDANCE SYSTEMS, DELIVERY, TRAINING, SPARE ENGINES AND ENGINE MODIFICATION KITS
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FMS AMOUNT: \$127.3 MILLION; COMMERCIAL: \$133.7 MILLION.

-- OPTION III. A COMBINATION OF COMMERCIAL AND FMS CONTRACTS IS ALSO POSSIBLE WITH A MINIMUM PLACED UNDER FMS; I.E., ENGINES, GUNS, RADAR, SUPPLY SUPPORT, DEPOT CAPABILITY, WEAPONS GUIDANCE SYSTEMS, MUNITIONS, ETC.
FMS AMOUNT: \$98 MILLION; COMMERCIAL \$163 MILLION.

-- OPTION IV. (FOR USE WITH EITHER OPTION II OR III ABOVE)
UNDER EITHER COMBINATION OPTION THE TURKISH GOVERNMENT CAN CHOOSE TO REDUCE THE AMOUNT WHICH MUST BE COVERED BY COMMERCIAL CONTRACTS BY DEFERRING CERTAIN LESS ESSENTIAL ITEMS UNTIL FY 1979 WHEN NEW FMS AUTHORITY WILL BE AVAILABLE. MAXIMUM AMOUNT WHICH CAN BE DEFERRED IS \$79.5 MILLION, FOR SUCH ITEMS AS TRAINING, DEPOT CAPABILITY, MUNITIONS, ETC.

-- OF COURSE, WHEN THE U.S.-TURKISH DEFENSE COOPERATION AGREEMENT IS ENACTED, OR THE CONDITIONS DESCRIBED IN 620(X)

ARE OTHERWISE RESOLVED, IT SHOULD BE POSSIBLE PROMPTLY TO
PLACE REMAINING PORTIONS OF THE PEACE DIAMOND II PROGRAM
COMPLETELY UNDER FMS, IF THE TURKISH GOVERNMENT SO DESIRES.
END TEXT. VANCE

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Disposition Approved on Date:
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